

AMENDED IN ASSEMBLY JUNE 8, 2004

AMENDED IN SENATE MARCH 22, 2004

SENATE BILL

No. 1823

Introduced by Senator Hollingsworth

February 20, 2004

An act to amend Sections 7072, 7073, 7073.8, 7073.9, 7074, 7075, 7076, 7076.1, 7076.2, 7081, 7085, 7085.5, ~~and 7086~~ 7086, 7097, 7107, 7110, 7110.5, 7111, 7113, 7113.5, 7114, 7114.5 7115, and 7116 of the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

SB 1823, as amended, Hollingsworth. ~~Enterprise zones and manufacturing enhancement areas~~ *Economic development.*

~~The—~~

(1) *The* Enterprise Zone Act requires the Department of Housing and Community Development to administer the act and to designate no more than 42 enterprise zones at any one time that may be proposed by a city, county, or city and county from applications selected on the basis of the most effective, innovative, and comprehensive regulatory, tax program, and other incentives in attracting private sector investment in the zone proposed. The act also requires the department to approve the expansion of an enterprise zone and to designate up to 2 Manufacturing Enhancement Areas requested by the governing boards of cities pursuant to specified criteria.

For these purposes, the act defines “agency” as the Department of Housing and Community Development.

This bill would instead delete the definition of “agency” and insert the definition of “department” to refer to the Department of Housing

and Community Development and would make conforming changes throughout the act.

(2) Existing law abolished the Technology, Trade, and Commerce Agency and did not provide for the transfer of the duties of that agency regarding the Targeted Tax Areas program and the Local Agency Military Base Recovery Act.

This bill would transfer these responsibilities to the Department of Housing and Community Development and make other conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7072 of the Government Code is
2 amended to read:

3 7072. For purposes of this chapter, the following definitions
4 shall apply:

5 (a) “Department” means the Department of Housing and
6 Community Development.

7 (b) “Date of original designation” means the earlier of the
8 following:

9 (1) The date the eligible area receives designation as an
10 enterprise zone by the department pursuant to this chapter.

11 (2) In the case of an enterprise zone deemed designated
12 pursuant to subdivision (e) of Section 7073, the date the enterprise
13 zone or program area received original designation by the former
14 Trade and Commerce Agency pursuant to Chapter 12.8
15 (commencing with Section 7070) or Chapter 12.9 (commencing
16 with Section 7080), as those chapters read prior to January 1, 1997.

17 (c) “Eligible area” means any of the following:

18 (1) An area designated as an enterprise zone pursuant to
19 Chapter 12.8 (commencing with Section 7070), as it read prior to
20 January 1, 1997, or as a targeted economic development area,
21 neighborhood development area, or program area pursuant to
22 Chapter 12.9 (commencing with Section 7080), as it read prior to
23 January 1, 1997.

24 (2) A geographic area that, based upon the determination of the
25 department, fulfills at least one of the following:



1 (A) The proposed geographic area meets the Urban
2 Development Action Grant criteria of the United States
3 Department of Housing and Urban Development.

4 (B) The area within the proposed zone has experienced plant
5 closures within the past two years affecting more than 100
6 workers.

7 (C) The city or county has submitted material to the department
8 for a finding that the proposed geographic area meets criteria of
9 economic distress related to those used in determining eligibility
10 under the Urban Development Action Grant Program and is
11 therefore an eligible area.

12 (D) The area within the proposed zone has a history of
13 gang-related activity, whether or not crimes of violence have been
14 committed.

15 (3) A geographic area that meets at least two of the following
16 criteria:

17 (A) The census tracts within the proposed zone have an
18 unemployment rate not less than 3 percentage points above the
19 statewide average for the most recent calendar year as determined
20 by the Employment Development Department.

21 (B) The county of the proposed zone has more than 70 percent
22 of the children enrolled in public school participating in the federal
23 free lunch program.

24 (C) The median household income for a family of four within
25 the census tracts of the proposed zone does not exceed 80 percent
26 of the statewide median income for the most recently available
27 calendar year.

28 (d) “Enterprise zone” means any area within a city, county, or
29 city and county that is designated as such by the department in
30 accordance with Section 7073.

31 (e) “Governing body” means a county board of supervisors or
32 a city council, as appropriate.

33 (f) “High technology industries” include, but are not limited
34 to, the computer, biological engineering, electronics, and
35 telecommunications industries.

36 (g) “Resident,” unless otherwise defined, means a person
37 whose principal place of residence is within a targeted
38 employment area.

39 (h) “Targeted employment area” means an area within a city,
40 county, or city and county that is composed solely of those census

1 tracts designated by the United States Department of Housing and
2 Urban Development as having at least 51 percent of its residents
3 of low- or moderate-income levels, using either the most recent
4 United States Department of Census data available at the time of
5 the original enterprise zone application or the most recent census
6 data available at the time the targeted employment area is
7 designated to determine that eligibility. The purpose of a “targeted
8 employment area” is to encourage businesses in an enterprise zone
9 to hire eligible residents of certain geographic areas within a city,
10 county, or city and county. A targeted employment area may be,
11 but is not required to be, the same as all or part of an enterprise
12 zone. A targeted employment area’s boundaries need not be
13 contiguous. A targeted employment area does not need to
14 encompass each eligible census tract within a city, county, or city
15 and county. The governing body of each city, county, or city and
16 county that has jurisdiction of the enterprise zone shall identify
17 those census tracts whose residents are in the most need of this
18 employment targeting. Only those census tracts within the
19 jurisdiction of the city, county, or city and county that has
20 jurisdiction of the enterprise zone may be included in a targeted
21 employment area.

22 At least a part of each eligible census tract within a targeted
23 employment area shall be within the territorial jurisdiction of the
24 city, county, or city and county that has jurisdiction for an
25 enterprise zone. If an eligible census tract encompasses the
26 territorial jurisdiction of two or more local governmental entities,
27 all of those entities shall be a party to the designation of a targeted
28 employment area. However, any one or more of those entities, by
29 resolution or ordinance, may specify that it shall not participate in
30 the application as an applicant, but shall agree to complete all
31 actions stated within the application that apply to its jurisdiction,
32 if the area is designated.

33 Each local governmental entity of each city, county, or city and
34 county that has jurisdiction of an enterprise zone shall approve, by
35 resolution or ordinance, the boundaries of its targeted employment
36 area, regardless of whether a census tract within the proposed
37 targeted employment area is outside the jurisdiction of the local
38 governmental entity.

39 SEC. 2. Section 7073 of the Government Code is amended to
40 read:



1 7073. (a) Except as provided in subdivision (e), any city,
2 county, or city and county with an eligible area within its
3 jurisdiction may complete a preliminary application for
4 designation as an enterprise zone. The applying entity shall
5 establish definitive boundaries for the proposed enterprise zone
6 and the targeted employment area.

7 (b) (1) In designating enterprise zones, the department shall
8 select from the applications submitted those proposed enterprise
9 zones that, upon a comparison of all of the applications submitted,
10 indicate that they propose the most effective, innovative, and
11 comprehensive regulatory, tax, program, and other incentives in
12 attracting private sector investment in the zone proposed.

13 (2) For purposes of this subdivision, regulatory incentives
14 include, but are not limited to, all of the following:

15 (A) The suspension or relaxation of locally originated or
16 modified building codes, zoning laws, general development plans,
17 or rent controls.

18 (B) The elimination or reduction of fees for applications,
19 permits, and local government services.

20 (C) The establishment of a streamlined permit process.

21 (3) For purposes of this subdivision, tax incentives include, but
22 are not limited to, the elimination or reduction of construction
23 taxes or business license taxes.

24 (4) For the purposes of this subdivision, program and other
25 incentives may include, but are not limited to, all of the following:

26 (A) The provision or expansion of infrastructure.

27 (B) The targeting of federal block grant moneys, including
28 small cities, education, and health and welfare block grants.

29 (C) The targeting of economic development grants and loan
30 moneys, including grant and loan moneys provided by the federal
31 Urban Development Action Grant program and the federal
32 Economic Development Administration.

33 (D) The targeting of state and federal job disadvantaged and
34 vocational education grant moneys, including moneys provided
35 by the federal Job Training Partnership Act of 1982 (Public Law
36 97-300).

37 (E) The targeting of federal or state transportation grant
38 moneys.

39 (F) The targeting of federal or state low-income housing and
40 rental assistance moneys.

1 (G) The use of tax allocation bonds, special assessment bonds,
2 bonds under the Mello-Roos Community Facilities Act of 1982
3 (Chapter 2.5 (commencing with Section 53311) of Part 1 of
4 Division 2 of Title 5), industrial development bonds, revenue
5 bonds, private activity bonds, housing bonds, bonds issued
6 pursuant to the Marks-Roos Local Bond Pooling Act of 1985
7 (Article 4 (commencing with Section 6584) of Chapter 5),
8 certificates of participation, hospital bonds, redevelopment bonds,
9 school bonds, and all special provisions provided for under federal
10 tax law for enterprise community or empowerment zone bonds.

11 (5) In the process of designating new enterprise zones, the
12 department shall take into consideration the location of existing
13 zones and make every effort to locate new zones in a manner that
14 will not adversely affect any existing zones.

15 (6) In designating new enterprise zones, the department shall
16 include in its criteria the fact that jurisdictions have been declared
17 disaster areas by the President of the United States within the last
18 seven years.

19 (7) When reviewing and ranking new enterprise zone
20 applications, the department shall give special consideration or
21 bonus points, or both, to applications from jurisdictions that meet
22 at least two of the following criteria:

23 (A) The percentage of households within the census tracts of
24 the proposed enterprise zone area, the income of which is below
25 the poverty level, is at least 17.5 percent.

26 (B) The average unemployment rate for the census tracts of the
27 proposed enterprise zone area was not less than five percentage
28 points above the statewide average for the most recent calendar
29 year as determined by the Employment Development Department.

30 (C) The applicant jurisdiction has, and can document that it
31 has, a unique distress factor affecting long-term economic
32 development, including, but not limited to, resource depletion,
33 plant closure, industry recession, natural disaster, or military base
34 closure.

35 (c) In evaluating applications for designation, the department
36 shall ensure that applications are not disqualified solely because of
37 technical deficiencies, and shall provide applicants with an
38 opportunity to correct the deficiencies. Applications shall be
39 disqualified if the deficiencies are not corrected within two weeks.

(d) (1) Except as provided in paragraph (2), or upon dedesignation pursuant to subdivision (c) of Section 7076.1 or Section 7076.2, a designation made by the department shall be binding for a period of 15 years from the date of the original designation.

(2) The designation period for any zone designated pursuant to either Section 7073 or 7085 prior to 1990 may total 20 years, subject to possible dedesignation pursuant to subdivision (c) of Section 7076.1 or Section 7076.2, if the following requirements are met:

(A) The zone receives a superior or passing audit pursuant to subdivision (c) of Section 7076.1.

(B) The local jurisdictions comprising the zone submit an updated economic development plan to the department justifying the need for an additional five years by defining goals and objectives that still need to be achieved and indicating what actions are to be taken to achieve these goals and objectives.

(e) (1) Notwithstanding any other provision of law, any area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or as a targeted economic development area, neighborhood economic development area, or program area pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, or any program area or part of a program area deemed designated as an enterprise zone pursuant to Section 7085.5 as it read prior to January 1, 1997, shall be deemed to be designated as an enterprise zone pursuant to this chapter. The effective date of designation of the enterprise zone shall be that of the original designation of the enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or of the program area pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, and in no event may the total designation period exceed 15 years, except as provided in paragraph (2) of subdivision (d).

(2) Notwithstanding any other provision of law, any enterprise zone authorized, but not designated, pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, shall be allowed to complete the application process started pursuant to that chapter, and to receive final designation as an enterprise zone pursuant to this chapter.

(3) Notwithstanding any other provision of law, any expansion of a designated enterprise zone or program area authorized pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, shall be deemed to be authorized as an expansion for a designated enterprise zone pursuant to this chapter.

(4) No part of this chapter may be construed to require a new application for designation by an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or a targeted economic development area, neighborhood economic development area, or program area designated pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997.

(f) Notwithstanding any other provision of law, a city, county, or a city and county may designate a joint powers authority to administer the enterprise zone.

(g) No more than 42 enterprise zones may be designated at any one time pursuant to this chapter, including those deemed designated pursuant to subdivision (e). Upon the expiration or termination of a designation, the department is authorized to designate another enterprise zone to maintain a total of 42 enterprise zones.

SEC. 3. Section 7073.8 of the Government Code is amended to read:

7073.8. (a) The department shall designate up to two Manufacturing Enhancement Areas, as defined by Section 17053.47 of the Revenue and Taxation Code, requested by the governing boards of cities each of which shall meet at least the following criteria:

(1) The unemployment rate in the county in which the applicant is located has been at least three times the state average from 1990 to 1995, inclusive.

(2) The applicant city is, or portions of the city are, designated a federal enterprise community or empowerment zone pursuant to Subchapter U (commencing with Section 1391) of Chapter 1 of Subtitle A of Title 26 of the United States Code.

(3) The applicant city is located in a Border Environment Cooperation Commission region as specified in Section 3473 of Title 19 of the United States Code.

(4) At least one of the following:

(A) The designated area has grown by less than 5 percent in population per year for each of the two years preceding the application date.

(B) The median household income for the designated area is under twenty-five thousand dollars (\$25,000) per year.

(C) The designated area has a population of under 20,000 persons according to the 1990 federal census.

(D) The designated area is located in a rural community.

(5) An audit of the program shall be made at the end of the 5th and 10th year of its operation by the department with the cooperation of the local governing board. The audit shall be used to determine how effective the designation has been in attracting manufacturing facilities and creating new employment opportunities. Continuation of the designation is contingent on evidence of success of the program.

(b) For purposes of applying any provision of the Revenue and Taxation Code, any Manufacturing Enhancement Area designated pursuant to this section shall not be considered an enterprise zone designated pursuant to this chapter.

(c) The designation as a Manufacturing Enhancement Area pursuant to this section shall be binding for a period of 15 years, commencing January 1, 1998.

SEC. 4. Section 7073.9 of the Government Code is amended to read:

7073.9. Upon approval by the department of an application by a city, county, or city and county, a manufacturing enhancement area in Imperial County is expanded to the extent proposed, but in no event by more than a 200-acre site that is located in Imperial County and used for purposes of those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, to include definitive boundaries that are contiguous to the manufacturing enhancement area. The department shall approve an application for expansion of the manufacturing enhancement area if it determines that the proposed additional territory meets the criteria specified in Section 7073.8 to the same extent as the existing territory of the manufacturing area and if all of the following conditions are met:

1 (a) The governing body of each city in which the
2 manufacturing enhancement is located approves an ordinance or
3 resolution approving the proposed expansion of that area.

4 (b) The additional territory proposed to be added to the
5 manufacturing enhancement area is zoned for industrial or
6 commercial use.

7 (c) Basic infrastructure, including, but not limited to, gas,
8 water, electrical service, and sewer systems is available to the
9 additional territory proposed to be added to the manufacturing
10 enhancement area.

11 SEC. 5. Section 7074 of the Government Code is amended to
12 read:

13 7074. (a) In the case of any enterprise zone, including an
14 enterprise zone formerly designated as an enterprise zone pursuant
15 to Chapter 12.8 (commencing with Section 7070) as it read prior
16 to January 1, 1997, or as a program area pursuant to Chapter 12.9
17 (commencing with Section 7080) as it read prior to January 1,
18 1997, a city, county, or city and county may propose that the
19 enterprise zone be expanded by 15 percent to include definitive
20 boundaries that are contiguous to the enterprise zone.

21 (b) The department may approve an enterprise zone expansion
22 proposed pursuant to this section based on the following criteria:

23 (1) Each of the adjacent jurisdictions' governing bodies
24 approves the expansion by adoption of an ordinance or resolution.

25 (2) Land included within the proposed expansion is zoned for
26 industrial or commercial use.

27 (3) Basic infrastructure, including, but not limited to, gas,
28 water, electrical service, and sewer systems, is available to the area
29 that would be included in the expansion.

30 (c) An enterprise zone may propose to use an eligible
31 expansion allotment to expand into an adjacent jurisdiction
32 pursuant to this section if the department finds that all of the
33 following conditions exist:

34 (1) The governing body of the local agency with jurisdiction
35 over the existing enterprise zone and the governing body of the
36 local agency with jurisdiction over the proposed expansion area
37 each approve the expansion by adoption of an ordinance or
38 resolution. The ordinance or resolution by the jurisdiction
39 containing the proposed expansion area shall indicate that the

jurisdiction will provide the same or equivalent local incentives as provided by the jurisdiction of the existing enterprise zone.

(2) (A) Land included within the proposed expansion is zoned for industrial or commercial use.

(B) An expansion area may contain noncommercial or nonindustrial land only if that land is a right-of-way and is needed to meet the requirement for a contiguous expansion between an existing enterprise zone and a proposed expansion area.

(3) Basic infrastructure, including, but not limited to, gas, water, electrical service, and sewer systems, is available to the area that would be included in the expansion.

(4) The expansion area is contiguous to the existing enterprise zone.

(d) (1) Except as otherwise provided in paragraph (2), in no event shall an enterprise zone be permitted to expand more than 15 percent in size from its size on the date of original designation, including any expansion authorized pursuant to Chapter 12.8 (commencing with Section 7070), or Chapter 12.9 (commencing with Section 7080), as those chapters read prior to January 1, 1997.

(2) If an enterprise zone, on the date of original designation, is no greater than 13 square miles, it may be permitted to expand up to 20 percent in size from its size on the date of original designation.

SEC. 6. Section 7075 of the Government Code is amended to read:

7075. (a) Upon filing a preliminary application, the applicant, as lead agency, shall submit an initial study and a notice of preparation to the department, the state clearinghouse, and all responsible agencies.

(b) Only a city, county, or city and county chosen by the department as a final applicant shall prepare, or cause to be prepared, a draft environmental impact report, which shall set forth the potential environmental impacts of any and all development planned within the enterprise zone. The draft environmental impact report shall be submitted to the department with the final application.

(c) Prior to final designation by the department, the applicant shall complete and certify the final environmental impact report.

(d) The environmental impact report shall comply with the information disclosure provisions and the substantive

1 requirements of Division 13 (commencing with Section 21000) of
2 the Public Resources Code.

3 (e) No further environmental impact report shall be required if
4 the effects of the project were any of the following:

5 (1) Mitigated or avoided as a result of the environmental
6 impact report prepared for the area.

7 (2) Examined at a sufficient level of detail in the environmental
8 impact report for the area to enable those effects to be mitigated
9 or avoided by specific site revisions, the imposition of conditions,
10 or other means in connection with the designation of the area.

11 (3) Identified in the final environmental impact report and the
12 lead agency made written findings that specific economic, social,
13 or other considerations made the mitigation measures or project
14 alternatives identified in the final environmental impact report
15 unfeasible.

16 SEC. 7. Section 7076 of the Government Code is amended to
17 read:

18 7076. (a) (1) The department shall provide technical
19 assistance to the enterprise zones designated pursuant to this
20 chapter with respect to all of the following activities:

21 (A) Furnish limited onsite assistance to the enterprise zones
22 when appropriate.

23 (B) Ensure that the locality has developed a method to make
24 residents, businesses, and neighborhood organizations aware of
25 the opportunities to participate in the program.

26 (C) Help the locality develop a marketing program for the
27 enterprise zone.

28 (D) Coordinate activities of other state agencies regarding the
29 enterprise zones.

30 (E) Monitor the progress of the program.

31 (F) Help businesses to participate in the program.

32 (2) Notwithstanding existing law, the provision of services in
33 subparagraphs (A) to (F), inclusive, shall be a high priority of the
34 department.

35 (3) The department may, at its discretion, undertake other
36 activities in providing management and technical assistance for
37 successful implementation of this chapter.

38 (b) The applicant shall be required to begin implementation of
39 the enterprise zone plan contained in the final application within

1 six months after notification of final designation or the enterprise
2 zone shall lose its designation.

3 SEC. 8. Section 7076.1 of the Government Code is amended
4 to read:

5 7076.1. (a) The department may audit the program of any
6 jurisdiction in any designated zone at any time during the duration
7 of the designation, as appropriate, or at least every five years from
8 the date of designation or the operative date of this section,
9 whichever is the latest. The matters to be examined in the course
10 of an audit shall include an examination of the progress made by
11 the zone toward meeting the goals, objectives, and commitments
12 set forth in its original application and the department's
13 memorandum of understanding with the zone.

14 (b) The department shall, for each audit, determine a result of
15 superior, pass, or fail in accordance with subdivision (c). The
16 results of each audit shall be based upon the success of the zone in
17 making substantial and sustained efforts since the later of its
18 designation or last audit to meet the standards, criteria, and
19 conditions contained in the application and the memorandum of
20 understanding (MOU) between the department and the zone, as
21 may be amended pursuant to the agreement of the zone and the
22 department. In each audit, the department shall focus upon the
23 zone's use of the marketing plan, local incentives, financing
24 programs, job development, and program management as
25 described in the application and the MOU. The department shall
26 also evaluate the vouchering plan, zone staff levels, zone budget,
27 and elements unique to each application.

28 (c) For purposes of subdivision (b), an audit determination of
29 superior, pass, or fail shall be made in accordance with the
30 following:

31 (1) A zone will be determined to be superior if each jurisdiction
32 comprising the zone does all of the following:

33 (A) Meets 100 percent of its goals, objectives, and
34 commitments as defined in its application or most recent audit, and
35 as determined by the department in consultation with the zone. An
36 equivalent or similar commitment may be substituted for an
37 existing commitment of a zone if it is determined by the
38 department that an original commitment was not realistically
39 practical or is no longer relevant.

1 (B) Demonstrates that it has reviewed and updated its goals,
2 objectives, and commitments as defined in its original application
3 or most recent audit.

4 (C) Identifies to the department's satisfaction that it has
5 incorporated economic development commitments in addition to
6 those commitments previously made in its application.

7 (2) (A) A zone will be determined to be passing if each
8 jurisdiction comprising the zone meets or exceeds 75 percent of its
9 goals, objectives, or commitments as defined in its original
10 application or audit, and as determined by the department in
11 consultation with the zone. An equivalent or similar commitment
12 may be substituted for an existing commitment of a zone if it is
13 determined by the department that an original commitment was
14 not realistically practical or is no longer relevant.

15 (B) Any zone that is determined to be passing may appeal in
16 writing to the department for a determination of superior. Only one
17 appeal may be filed pursuant to this subparagraph with respect to
18 a determination by the department, and may be filed no later than
19 30 days after the zone's receipt of the determination to which the
20 appeal pertains. The department shall respond in writing to any
21 appeal that is properly filed pursuant to this subparagraph within
22 60 days of the date of that filing.

23 (3) (A) A zone will be determined to be failing if any
24 jurisdiction comprising the zone fails to meet or exceed 75 percent
25 of its goals, objectives, or commitments as defined in its original
26 application or audit, and as determined by the department in
27 consultation with the zone. An equivalent or similar commitment
28 may be substituted for an existing commitment of a zone if it is
29 determined by the department that an original commitment was
30 not realistically practical or is no longer relevant.

31 (B) Any zone that is determined to be failing shall enter into a
32 written agreement with the department that specifies those items
33 that the zone is required to remedy or improve. Failure of the zone
34 and the department to negotiate and enter into a written agreement
35 as so described within 60 days of the last day upon which the
36 department is required to deliver a response letter pursuant to
37 subparagraph (C) shall result in the dedesignation of the zone on
38 January 1 immediately following the department's written notice
39 of dedesignation to the zone. A written agreement entered into
40 pursuant to this subparagraph shall be for a six-month period. If,

upon the expiration of the agreement, the department determines that the zone has not met or implemented at least 75 percent of the conditions set forth in the agreement, the department shall, after immediately providing written notification to each jurisdiction comprising the zone that the zone is to be dedesignated, dedesignate the zone effective on the first day of the month next following the date upon which the agreement expired. If, upon expiration of the agreement, the department determines that the zone has met or implemented at least 75 percent of the conditions set forth in the agreement, the department shall do either of the following:

(i) Allow the zone an additional year, or a longer period in the department's discretion, to meet or implement those conditions in their entirety.

(ii) Pursuant to written notice provided immediately to each jurisdiction that comprises the zone that the zone is to be dedesignated, dedesignate the zone effective on January 1 immediately following the date of the department's written notification of dedesignation to those jurisdictions.

Any business, located within any jurisdiction that comprises a zone that has been dedesignated, that has elected to avail itself of any state tax incentive specifically applicable to a zone for any taxable or income year beginning prior to the dedesignation of the zone may, to the extent the business is otherwise still eligible for those incentives, continue to avail itself of those incentives for a period equal to the remaining life of the zone. However, any business, located within any jurisdiction that comprises a zone that has been dedesignated, that has not availed itself of any state tax incentive in the manner described in the preceding sentence may not, after dedesignation of the zone, avail itself of any state incentive specifically applicable to a zone.

(d) (1) For purposes of this section, "dedesignation" means that a zone is no longer a zone for purposes of either Section 7073 or 7085.

(2) Upon notification by the department of the dedesignation of a zone and the end of the appeal period with respect to that dedesignation, the department shall initiate an application process for a new designation as provided in Section 7073.

SEC. 9. Section 7076.2 of the Government Code is amended to read:

1 7076.2. (a) The department shall dedesignate a zone on the
2 first day of the month immediately following the date upon which
3 the department has received from each jurisdiction comprising the
4 zone a resolution, adopted by the governing body of that
5 jurisdiction, requesting the dedesignation of the zone. Upon the
6 dedesignation of a zone pursuant to this paragraph, the department
7 shall initiate an application process for a new designation as
8 provided in Section 7073.

9 (b) The department shall exclude from a zone that portion of
10 that zone that is located within a jurisdiction on the first day of the
11 month immediately following the date upon which the department
12 receives from that jurisdiction a resolution, adopted by the
13 governing body of that jurisdiction, requesting that exclusion. Any
14 jurisdiction that provides notice to the department pursuant to this
15 paragraph shall concurrently provide a copy of that notice to all
16 other jurisdictions that comprise the affected zone.

17 (c) Any business, located within any jurisdiction that
18 comprises a zone that has been dedesignated or within a
19 jurisdiction that has excluded itself from a zone, that has elected
20 to avail itself of any state tax incentive specifically applicable to
21 a zone for any taxable or income year beginning prior to the
22 dedesignation of the zone or the exclusion of a jurisdiction
23 comprising the zone may, to the extent the business is still
24 otherwise eligible for those incentives, continue to avail itself of
25 those incentives for a period equal to the remaining life of the zone.
26 However, any business, located within any jurisdiction that
27 comprises a zone that has been dedesignated or within a
28 jurisdiction that has excluded itself from a zone, that has not
29 availed itself of any state tax incentive in the manner described in
30 the preceding sentence may not, after dedesignation of the zone,
31 avail itself of any state incentive specifically applicable to a zone.

32 (d) For purposes of this section, “dedesignation” is defined as
33 set forth in paragraph (1) of subdivision (d) of Section 7076.1.

34 SEC. 10. Section 7081 of the Government Code is amended
35 to read:

36 7081. Notwithstanding any other provision of state law, and
37 to the extent permitted by federal law, the Employment
38 Development Department and the State Department of Education
39 shall give high priority to the training of unemployed individuals
40 who reside in a targeted employment area or a designated

1 enterprise zone. The department may assist localities in
2 designating local business, labor, and education consortia to
3 broker activities between the employment community and
4 educational and training institutions. Any available discretionary
5 funds may be used to assist the creation of those consortia.

6 SEC. 11. Section 7085 of the Government Code is amended
7 to read:

8 7085. (a) The department shall submit a report to the
9 Legislature every five years beginning January 1, 1998, that
10 evaluates the effect of the program on employment, investment,
11 and incomes, and on state and local tax revenues in designated
12 enterprise zones. The report shall include a department review of
13 the progress and effectiveness of each enterprise zone. The
14 Franchise Tax Board shall make available to the department and
15 the Legislature aggregate information on the dollar value of
16 enterprise zone tax credits that are claimed each year by
17 businesses.

18 (b) An enterprise zone governing body shall provide
19 information at the request of the department as necessary for the
20 department to prepare the report required pursuant to subdivision
21 (a).

22 SEC. 12. Section 7085.5 of the Government Code is amended
23 to read:

24 7085.5. The Franchise Tax Board shall annually make
25 available to the department and the Legislature information, by
26 enterprise zone and by city or county, on the dollar value of the
27 enterprise zone tax credits that are claimed each year by businesses
28 and shall design and distribute forms and instructions that will
29 allow the following information to be accessible:

30 (a) The number of jobs for which the hiring credits are claimed.

31 (b) The number of new employees for which hiring credits are
32 claimed.

33 (c) The number of businesses claiming each individual tax
34 credit.

35 (d) The nature of the business claiming each individual tax
36 credit.

37 (e) The distribution of zone tax incentives among industry
38 groups.

1 (f) The distribution of zone tax incentives by the annual
2 receipts and asset value of the business claiming each individual
3 tax credit.

4 (g) Any other information that the Franchise Tax Board and the
5 department deem to be important in determining the cost to, and
6 benefit derived by, the taxpayers of the state.

7 SEC. 13. Section 7086 of the Government Code is amended
8 to read:

9 7086. (a) The department shall design, develop, and make
10 available the applications and the criteria for selection of
11 enterprise zones pursuant to Section 7073, and shall adopt all
12 regulations necessary to carry out this chapter.

13 (b) The department shall adopt regulations concerning the
14 designation procedures and application process as emergency
15 regulations in accordance with Chapter 3.5 (commencing with
16 Section 11340) of Part 1 of Division 3 of Title 2. The adoption of
17 the regulations shall be deemed to be an emergency and necessary
18 for the immediate preservation of the public peace, health and
19 safety, or general welfare, notwithstanding subdivision (e) of
20 Section 11346.1. Notwithstanding subdivision (e) of Section
21 11346.1, the regulations shall not remain in effect more than 120
22 days unless the department complies with all provisions of Chapter
23 3.5 as required by subdivision (e) of Section 11346.1.

24 (c) The Department of General Services, with the cooperation
25 of the Employment Development Department, the Department of
26 Industrial Relations, and the Office of Planning and Research, and
27 under the direction of the State and Consumer Services Agency,
28 shall adopt appropriate rules, regulations, and guidelines to
29 implement Section 7084.

30 SEC. 14. Section 7097 of the Government Code is amended to
31 read:

32 7097. (a) ~~The Trade and Commerce Agency~~ *Department of*
33 *Housing and Community Development* shall rank applicant
34 communities and shall designate the first ranking community
35 whose governing body is applying as a community to be
36 designated as a targeted tax area which meets at least four of the
37 five following criteria:

38 (1) The average unemployment rate in the applicant
39 community exceeded 7.5 percent in 1995.

(2) The average unemployment rate in the applicant community exceeded 7.5 percent in 1996.

(3) The median family income in the applicant community does not exceed thirty-two thousand seven hundred dollars (\$32,700).

(4) The percentage of persons in the applicant community below the poverty level is at least 17.5 percent.

(5) The applicant community ranks in the top quartile, among California counties, in the percentage of population receiving Aid for Families with Dependent Children benefits, based on the Cash Grant Caseload Movement and Expenditures Report, July 1995 to June 1996.

(b) For purposes of applying any provision of the Revenue and Taxation Code, any targeted tax area designated pursuant to this section shall not be considered an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070).

(c) Except as provided in subdivision (e), the designation as a targeted tax area pursuant to this section shall be binding for a period of 15 years, commencing January 1, 1998.

(d) Only one targeted tax area shall be designated by the ~~agency~~ department, and a renewed or replacement designation shall not be made after the initial designation expires or is revoked.

(e) An audit of the program's operation shall be made by the ~~Trade and Commerce Agency~~ department on a periodic basis with the cooperation of the local governing board. If the ~~agency~~ department determines that the local jurisdiction is not complying with the terms of the memorandum of understanding, the ~~agency~~ department shall provide written notice of the program deficiencies and the governing body shall be given six months to correct the deficiencies. If the deficiencies are not corrected, the designation shall be revoked.

(f) A county and any cities within the county may apply jointly as a community if the combination of the jurisdictions meets the criteria.

SEC. 15. Section 7107 of the Government Code is amended to read:

7107. For purposes of this chapter:

(a) ~~“Agency”~~ “Department” means the ~~Trade and Commerce Agency~~ Department of Housing and Community Development.

(b) “Base” means a federal military installation or subinstallation as defined by regulations of the Departments of the Army, Navy, and Air Force, and other defense activities.

(c) “Critically needed hazardous waste facilities” means a facility that will provide necessary offsite treatment capacity for which there is a substantial shortfall or lack of capacity. This shortfall shall be as identified in any of the following documents:

(1) The State Hazardous Waste Management Plan.

(2) The State’s Capacity Assurance Plan required by federal law.

(3) Other reports of the Department of Toxic Substances Control.

(d) “Downsizing” means a significant reduction in federal funding, personnel, and equipment on a base.

(e) “Economic development plan” includes, but is not limited to, a marketing plan, a job development plan, and an analysis of infrastructure.

(f) “Eligible area” means a geographic area meeting the criteria described in Section 7111.

(g) “Governing body” means a city, county, city and county, joint powers agency, council, or board, as appropriate.

(h) “Local agency military base recovery area” means any military base or former military base or portion thereof which is designated in accordance with the provisions of Section 7114.

(i) “Region One” includes the following counties: Del Norte, Siskiyou, Modoc, Humboldt, Trinity, Shasta, Lassen, Mendocino, Tehama, Glenn, Butte, Plumas, Marin, Napa, Sonoma, Lake, Colusa, Sutter, Yuba, Nevada, Sierra, Placer, Yolo, Solano, Sacramento, El Dorado, and Amador.

(j) “Region Two” includes the following counties: Contra Costa, San Francisco, Santa Cruz, Santa Clara, Alameda, and San Mateo.

(k) “Region Three” includes the following counties: Monterey, San Benito, San Joaquin, Merced, Fresno, Stanislaus, Kings, Madera, Mariposa, Tuolumne, Calaveras, Alpine, Mono, Inyo, and Tulare.

(l) “Region Four” includes the following counties: San Diego, San Bernardino, Riverside, and Imperial.

(m) “Region Five” includes the following counties: Los Angeles, Orange, Ventura, Santa Barbara, San Luis Obispo, and Kern.

(n) “Reuse plan” includes, but is not limited to, an evaluation of community goals for the future as they relate to potential use of the former military facilities and land areas, market studies or surveys to evaluate the regional economic setting, trends, and pressures affecting base reuse, surveys or inventories of on-base facilities to determine their condition, quality and reuse potential and liability, development of reuse alternatives responding to market conditions, community goals, and reuse of potential of existing assets, review of alternative strategies with the community at large and consensus building of a preferred development strategy.

SEC. 16. Section 7110 of the Government Code is amended to read:

7110. (a) The governing body may, either by ordinance or resolution, propose an eligible area within its respective jurisdiction as the geographic area for a local agency military base recovery area. A county may propose an area within the unincorporated area as the geographic area for a local agency military base recovery area, but shall not propose an area within an incorporated area. A city may propose an area within the incorporated area as the geographic area for a local agency military base recovery area, but may not propose an area within an unincorporated area. A city and county may propose an area within the city and county for designation as a local agency military base recovery area. This proposed geographic area shall be based upon findings by the governing body that the area meets the criteria in Section 7111 and that the designation as a local agency military base recovery area is necessary in order to assist in attracting private sector investment in the area. The governing body shall establish definitive boundaries, not to exceed former base property, for the area to be included in the application for designation and, if designated by the agency, the designation shall be binding for the period described in Section 7110.5.

(b) Following the application for designation of a local agency military base recovery area, the governing body shall apply to the ~~agency~~ *department* for designation. The ~~agency~~ *department* shall adopt regulations and guidelines concerning the necessary contents of each application for designation.

1 (c) Any governing body with an eligible area within its
2 jurisdiction may complete a preliminary application.

3 (d) In designating a local agency military base recovery area,
4 the ~~agency~~ *department* shall select from the applications
5 submitted those proposed local agency military base recovery
6 areas which, based on a comparison of those applications, propose
7 the most effective, innovative, and comprehensive regulatory, tax,
8 program, and other incentives to attract private sector investment
9 in the proposed local agency military base recovery area. For
10 purposes of this paragraph:

11 (1) “Regulatory incentives” include, but are not limited to, the
12 elimination or reduction of fees for applications, permits, and local
13 government facilities and services; and the establishment of a
14 streamlined permit process.

15 (2) “Tax incentives” include, but are not limited to, the
16 elimination or reduction of business license taxes and utility user
17 taxes.

18 (3) “Program” and “other incentives” may include, but are
19 not limited to the provision or expansion of infrastructure; the
20 targeting of federal block grant moneys, including small cities,
21 education, and health and welfare block grants; the targeting of
22 economic development grants and loan moneys, including grant
23 and loan moneys provided by the federal Urban Development
24 Action Grant program and the federal Economic Development
25 Administration; the targeting of state and federal job
26 disadvantaged and vocational education grant moneys, including
27 moneys provided by the federal Job Partnership Training Act of
28 1982; the targeting of federal or state transportation grant moneys;
29 and the targeting of federal or state low-income housing and rental
30 assistance moneys.

31 (e) The ~~agency~~ *department* shall also consider the following:

32 (1) The unemployment rate for the area under the jurisdiction
33 of the local governing body.

34 (2) The number of civilian and military jobs lost as a result of
35 the base closure when compared to the number of jobs available
36 in the area.

37 (3) Whether the local agency has a comprehensive economic
38 development plan that is consistent with the reuse plan.

39 (4) Whether the local agency has a prepared plan for
40 appropriate hazardous waste management facilities as an integral

part of the base and shall give extra consideration for any plan which includes provisions for critically needed hazardous waste facilities.

(5) The governing body has resolved, as part of the reuse plan approval, to prepare a program environmental impact report that is in compliance with the California Environmental Quality Control Act and associated guidelines.

(f) In evaluating applications for designation, the ~~agency~~ department shall ensure that applications are not disqualified solely because of technical deficiencies and shall provide applicants with an opportunity to correct the deficiencies. Applications shall be disqualified if the deficiencies are not corrected within two weeks. The ~~agency~~ department shall provide technical assistance to applicants that request it.

SEC. 17. Section 7110.5 of the Government Code is amended to read:

7110.5. A designation of a local agency military base recovery area pursuant to Section 7110 shall be for an eight-year period, that shall expire eight years after the ~~agency~~ department has determined that the later of the following conditions has been met:

(a) The governing body has notified the ~~agency~~ department that legal title to the economic development parcels at the former base has been transferred to the governing body and, in cases in which early transfer authority has been exercised, the terms and conditions necessary for satisfying the requirements of Section 9601 and following of Title 42 of the United States Code are met and regulatory closure has occurred.

(b) The governing body has notified the ~~agency~~ department that vouchers have been issued to an employer that has entered into a lease or received title to property located within the local agency military base recovery area.

SEC. 18. Section 7111 of the Government Code is amended to read:

7111. (a) An eligible area is a military base or former military base which, based upon the determination of the ~~agency~~ department, fulfills the following:

(1) The base is scheduled for closure or downsizing by a base closure act.

(2) The governing body has approved a reuse plan for the base.

(b) A base is ineligible if any portion of the base is included in an enterprise zone established pursuant to Chapter 12.8 (commencing with Section 7070) or an area established pursuant to Chapter 12.9 (commencing with Section 7080).

SEC. 19. Section 7113 of the Government Code is amended to read:

7113. (a) Upon filing a preliminary application, the applicant, as lead agency, shall submit an initial study and a notice of preparation to the department, the state clearinghouse, all responsible agencies, and any public agency that has jurisdiction by law with respect to the project.

(b) A governing body selected by the ~~agency~~ department as a final applicant shall prepare, or cause to be prepared, an environmental impact report pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code for any and all projects planned within the local agency military base recovery area. Whenever a project requires compliance with both the California Environmental Quality Act and the National Environmental Policy Act, the lead agency shall, to the greatest extent feasible, prepare a joint environmental impact report and environmental impact statement. The draft environmental impact report shall be submitted to the ~~agency~~ department with the final application.

(c) Prior to final designation by the ~~agency~~ department, the applicant shall complete and certify the final environmental impact report and act on the project.

SEC. 20. Section 7113.5 of the Government Code is amended to read:

7113.5. When selecting successful applicants for a local agency military base recovery area, the ~~agency~~ department shall limit the number of local agency military base recovery areas to eight, which shall be awarded by the following criteria, in addition to the criteria set forth in Section 7111.

(a) The ~~agency~~ department shall designate at least one local agency military base recovery area in each region.

(b) If the ~~agency~~ department finds that none of the applications in a competition are satisfactory in meeting the selection criteria, the ~~agency~~ department shall inform all applicants on the deficiencies in their application and shall reopen competition for

1 a period not to exceed six months. Local governing bodies who
2 originally applied, may reapply in the new competition.

3 (c) If, after following the procedures specified in (c), the
4 agency determines that there are no applications that are
5 satisfactory, the ~~agency~~ department may not designate a local
6 agency military base recovery area.

7 (d) Eligible bases shall compete for approval of a local agency
8 military base recovery area against other eligible bases. In any
9 event, not less than one area shall be designated from each region.

10 *SEC. 21. Section 7114 of the Government Code is amended to*
11 *read:*

12 7114. (a) The ~~agency~~ department shall design, develop, and
13 make available the applications and the criteria for selection of a
14 local agency military base recovery area, and shall adopt all
15 regulations necessary to carry out this chapter.

16 (b) The applications, selection criteria, and all necessary
17 regulations for designation shall be adopted by the ~~agency~~
18 department and made available not later than 120 days following
19 the effective date of this chapter.

20 (c) The ~~agency~~ department shall adopt regulations concerning
21 the designation procedures and application process as emergency
22 regulations in accordance with Chapter 3.5 (commencing with
23 Section 11340) of Part 1 of Division 3 of Title 2. For the purpose
24 of that chapter, the adoption of the regulations shall be deemed to
25 be an emergency and necessary for the immediate preservation of
26 the public peace, health, and safety, or general welfare,
27 notwithstanding subdivision (f) of Section 11346.1.
28 Notwithstanding subdivision (e) of Section 11346.1, the
29 regulations shall not remain in effect more than 180 days unless the
30 ~~agency~~ department complies with all provisions of Chapter 3.5
31 (commencing with Section 11340) of Part 1 of Division 3 of Title
32 2 as required by subdivision (e) of Section 11346.1.

33 *SEC. 22. Section 7114.5 of the Government Code is amended*
34 *to read:*

35 7114.5. (a) The ~~agency~~ department shall provide, as a high
36 priority, to a designated local agency military base recovery area:

37 (1) Technical assistance for state and federal grant applications
38 as requested by the governing body.

(2) Technical assistance for small business loans through the State of California and the federal government as requested by the governing body.

(b) The California Environmental Protection Agency shall provide, as a high priority, to a designated local agency military base recovery area technical permit assistance for those permits that fall under the jurisdiction of the agency as requested by the governing body.

(c) The Office of Permit Assistance shall provide, as a high priority, to a designated local agency military base recovery area technical assistance on permits as requested by the governing body.

SEC. 23. Section 7115 of the Government Code is amended to read:

7115. The ~~agency-department~~ shall submit a report to the Legislature on or before July 1, 1996, and every year thereafter, which:

(a) Evaluates the effect of the program on employment, investment, and incomes, and on state and local tax revenues in designated local agency military base recovery areas.

(b) Indicates whether the number of existing local agency military base recovery areas should be expanded, by how many, and under what applicable time schedules.

(c) Information from the Franchise Tax Board on the dollar value of local agency military base recovery area tax credits that are claimed each year by businesses.

SEC. 24. Section 7116 of the Government Code is amended to read:

7116. (a) A local agency military base recovery area governing body shall provide information at the request of the ~~agency-department~~ as necessary for the ~~agency-department~~ to prepare the report required pursuant to Section 7115.

(b) A local agency military base recovery area governing body shall provide information at the request of the ~~agency-department~~ as necessary for the ~~agency-department~~ to determine whether the governing body is complying with the terms of the approved application.

(c) If the ~~agency-department~~ determines that a local agency military base recovery area governing body is not complying with the terms of the approved application for designation, the ~~agency~~

1 *department* shall provide written notice of the program
2 deficiencies and the governing body shall be given six months to
3 correct the deficiencies.

4 (d) The ~~agency~~-*department* shall revoke the designation of a
5 local agency military base recovery area if the ~~agency~~-*department*
6 determines that the governing body granted the designation has not
7 complied with the terms of the approved application for
8 designation within six months after written notice pursuant to
9 subdivision (c), and shall not be considered a local agency military
10 base recovery area until the deficiencies are corrected.

11 (e) Any companies located in the local agency military base
12 recovery area shall not be penalized during any period of
13 revocation and may continue to operate with incentives provided
14 pursuant to this chapter.

